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BEFORE THE ARIZONA CORPORATION
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COMMISSIONERS

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2013 JUN 28 P 2:10

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

JUN 28 2013

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF
SUNRISE WATER CO. FOR A DETERMINATION
OF THE CURRENT FAIR VALUE OF ITS
UTILITY PROPERTY AND FOR AN INCREASE
IN ITS WATER RATES AND CHARGES FOR
UTILITY SERVICE.

DOCKET NO. W-02069A-08-0406

PROCEDURAL ORDER

BY THE COMMISSION:

On December 23, 2009, in this docket, the Arizona Corporation Commission ("Commission") issued Decision No. 71445 establishing permanent rates for Sunrise Water Co. ("Sunrise"), a privately owned Class B water utility and S corporation providing water utility service in northern Peoria in Maricopa County. In Decision No. 71445, due to Sunrise's S corporation status, the Commission rejected Sunrise's argument for inclusion of income tax expenses in operating expenses.

On February 22, 2013, in Docket No. W-00000C-06-0149, the Commission issued Decision No. 73739, in which the Commission adopted a Revised Policy Statement reversing the Commission's position on treatment of income tax expense for tax pass-through entities, including S corporations. In the Revised Policy Statement, the Commission established a method for determining allowable tax expense.

On June 14, 2013, in this docket, Sunrise filed a Motion to Amend Decision No. 71445 Pursuant to A.R.S. § 40-252 ("40-252 Motion"), requesting that the Commission amend Decision No. 71445 to allow Sunrise to recover income-tax expense as part of its cost of service. With its 40-252 Motion, Sunrise included schedules setting forth its calculations to determine income tax expense, a revised revenue requirement, and corresponding revised rates. Sunrise's revised rate schedule would increase each monthly minimum and commodity rate by 2.18 percent to 2.40 percent.

At its Staff Meeting on June 27, 2013, the Commission voted to reopen Decision No. 71445

1 pursuant to A.R.S. § 40-252, but without limiting the scope of the A.R.S. § 40-252 proceeding to the
2 income tax issue raised in Sunrise's 40-252 Motion. Due to the time lapse since Decision No. 71445,
3 the Commission's Utilities Division ("Staff") raised the possibility that Sunrise could be over-
4 recovering rate case expense and suggested that customer notice may need to be provided. The
5 Commission did not expressly state how the A.R.S. § 40-252 proceeding should be conducted.

6 It is now appropriate to schedule a procedural conference to discuss establishment of the
7 process and schedule to be followed for this matter.

8 IT IS THEREFORE ORDERED that a **procedural conference** in this matter shall be held on
9 **August 5, 2013, at 10:00 a.m.**, or as soon thereafter as is practicable, in Hearing Room No. 2 at the
10 Commission's offices at 1200 West Washington Street, Phoenix, Arizona 85007.

11 IT IS FURTHER ORDERED that Sunrise and Staff each shall be prepared at the procedural
12 conference to make recommendations regarding the process and schedule that should be followed for
13 this matter, which shall include recommendations as to notice and a hearing.

14 IT IS FURTHER ORDERED that the Administrative Law Judge may rescind, alter, amend,
15 or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling at
16 hearing.

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18 DATED this 28th day of June, 2013.

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20 
21 SARAH N. HARPRING
22 ADMINISTRATIVE LAW JUDGE
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1 Copies of the foregoing mailed/delivered
this 28th day of June, 2013, to:

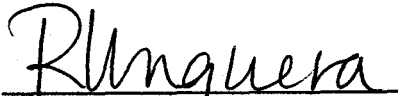
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